



NSTAR
ELECTRIC
GAS

NSTAR Electric & Gas Corporation
One NSTAR Way, Westwood, Massachusetts 02090-9230

June 4, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

Re: NSTAR Gas Company, D.T. E. 01-26

Dear Secretary Cottrell:

On behalf of NSTAR Gas Company (the "Company"), I am pleased to enclose the Company's Energy Efficiency Annual Report for the program year 2003. This report is being submitted pursuant to section 11.F of the Settlement Agreement in the above-referenced proceeding.

Thank you for your attention to this filing. Should you have any questions, please do not hesitate to contact me at (781) 441-3896.

Sincerely,

Charles A. Olsson
Manager, Gas Energy Efficiency Services

cc: George Yiankos, DTE
Andrew Kaplan, DTE
Robert Hayden, DTE
Steven Venezia, DOER
Bruce Ledgerwood, DOER
Jerrold Oppenheim, LEAN
David S. Rosenzweig, KWP

INTRODUCTION

On February 1, 2001, NSTAR Gas Company ("NSTAR Gas" or the "Company") submitted to the Department of Telecommunications and Energy ("Department") a proposed energy efficiency program plan for the three-year period commencing on May 1, 2001, and ending on April 30, 2004. As part of its plan, the Company detailed its comprehensive energy efficiency programs and marketing initiatives for residential, low-income and commercial and industrial ("C&I") customers. Moreover, the Company provided the Department with its proposed budget for those programs. As a result of extensive negotiations and collaboration among the Company, the Massachusetts Division of Energy Resources ("DOER"), the Low Income Energy Affordability Network, and the Department's Settlement Intervention Staff (collectively, the "Parties"), the Parties submitted to the Department a Joint Motion for Approval of a Settlement Agreement, which was approved on September 27, 2001. Incorporated within the Settlement Agreement was a description of the energy efficiency programs to be offered by NSTAR Gas and the amounts to be expended by the Company to provide each of those programs. The Parties agreed that NSTAR Gas would file with the Department and DOER an annual report summarizing the Company's experience with its energy efficiency programs, including the number of customers participating in each program and the level of savings achieved per program.

PROGRAM EXPERIENCE IN 2003¹

NSTAR Gas operated a number of comprehensive energy efficiency programs and market transformation initiatives targeting residential, low-income and C&I customer sectors during the program year 2003. The programs represented a concerted effort by the Company to offer a portfolio of programs and services to its customers that overcome market barriers and seek to transform markets for energy efficiency.

Residential Programs - During 2003, NSTAR Gas offered the following residential energy efficiency programs and initiatives:

- the ENERGY STAR® Thermostat Rebate Program,
- the ENERGY STAR® Homes Program,
- the High Efficiency Heating Rebate Program,
- the High Efficiency Water Heating Rebate Program,
- the Weatherization Program,
- Massachusetts Building Code Support, and
- Market Transformation efforts.

¹ The program year 2003 ran from May 1, 2003 to April 30, 2004.

Low-Income Programs - Also in 2003, the Company offered the following low-income energy efficiency programs (consisting of both residential low-income and C&I multi-family low-income components):

- the Residential Low-Income Single Family Program, and
- the C&I Low-Income Multi-Family Program.

Commercial & Industrial Programs - Finally, the Company offered the following C&I energy efficiency programs during 2003 to all eligible customers except those on the G-53 rate:

- the Custom Program,
- Small Business Programs (the Infrared Rebate Program, the High Efficiency Heating Rebate Program and the High Efficiency Water Heating Program),
- Massachusetts Building Code Support, and
- Market Transformation efforts.

A summary of the budgeted and actual expenditures in the Residential, Low-Income and C&I sectors during the program year 2003 is included in Exhibit 1. Also included in Exhibit 1 is production and savings information for each of the programs.

In summary, the Company's energy efficiency efforts during the twelve-month period (May 2003 - April 2004) continued to be successful. The Company achieved 1,065,362 of therm savings in the residential, low-income and C&I sectors during this period. This strong performance reflects the Company's continued commitment to implementing energy efficiency programs and market transformation initiatives in the most cost-effective manner possible.

Finally, NSTAR Gas notes that on March 26, 2004 it submitted a five-year energy efficiency plan to the Department. The energy efficiency plan, currently under review by the Department, covers the period May 1, 2004 through April 30, 2009. The Company looks forward to continuing to offer successful energy efficiency programs to its customers.

STATUS REPORT
May 1, 2003 through April 30, 2004

Programs	TOTAL EXPENDITURES Thru 04/30/04	BUDGET	PARTICIPATION	TOTAL NET ANNUAL SAVINGS (Therms)
<u>Residential</u>				
ENERGY STAR Thermostat Rebate	\$136,191	\$185,966	2,592 rebates	114,048
ENERGY STAR Homes	\$125,993	\$196,041	300 certifications	62,354
High Efficiency Heating Rebate	\$414,412	\$521,866	1,690 rebates	283,654
High Efficiency Water Heating Rebate	\$188,337	\$189,890	937 rebates	31,438
Weatherization	\$556,701	\$413,008	545 participants	127,530
Massachusetts Building Code Support	\$33,374	\$59,525		
Market Transformation	<u>\$239,520</u>	<u>\$270,348</u>		
Sub-total	\$1,694,528	\$1,836,644		619,024
<u>Low-Income</u>				
Residential Low-Income Single Family	\$528,852	\$721,953	236 participants	71,980
C&I Low-Income Multi Family	<u>\$356,888</u>	<u>\$484,552</u>	204 participants	<u>36,108</u>
Sub-total	\$885,740	\$1,206,505		108,088
<u>Commercial</u>				
Custom	\$501,140	\$553,024	23 rebates	263,714
Infrared Rebate	\$65,378	\$104,145	81 rebates	60,588
High Efficiency Heating Rebate	\$107,177	\$108,124	81 rebates	12,098
High Efficiency Water Heating Rebate	\$24,048	\$30,428	26 rebates	1,850
Massachusetts Building Code Support	\$36,263	\$64,881		
Market Transformation	<u>\$64,995</u>	<u>\$206,754</u>		
Sub-total	\$799,001	\$1,067,356		338,250
Total	\$3,379,269	\$4,110,505		1,065,362